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THE CBRT PRESS RELEASE ON LIMITS FOR THE FOREIGN EXCHANGE AND BANKNOTES MARKET TRANSACTIONS

The Central Bank of the Republic of Turkey has been taking various measures in order to prevent the recent problems in the international credit markets from affecting the orderly flow of liquidity in our local financial markets.

Within this framework, the Central Bank resumed its intermediary role in the *Foreign Exchange Deposit Market* within the Central Bank on 9 October 2008. Furthermore, considering the level of the banks' balance sheet aggregates, transaction limits in the *Foreign Exchange and Banknotes Markets* were revised as of 14 October 2008 and set at USD 5.4 billion in total.

As it is the market of the last resort, the commission rates in the *Foreign Exchange Deposit Market* have been set at exclusively high levels with a view to encourage direct transactions among banks. Transaction volumes are relatively low and market interest rates are set in accordance with demand and supply conditions in this market, which operates as planned. Interest rates for the transactions among banks have been declining in both USD and Euro transactions since 9 October 2008, when the intermediary activities in *Foreign Exchange Deposit Market* were resumed.

As a result of the transactions conducted in the afore-mentioned market, the total debt balance became USD 193 million on 22 October 2008. This figure amounts to only 4 percent of the total limits.

In the meantime, as announced to the public with the press release on '*Monetary and Exchange Rate Policy for 2008*' dated 18 December 2007, banks are able to borrow foreign exchange in terms of USD and Euro from the Central Bank through the *Foreign Exchange Deposit Market*, within the predetermined limits with one-week maturity. No bank has yet needed to borrow through this facility from the Central Bank at the interest rates that had to be set high within the scope of the Central Bank's function as the lender of the last resort.

Meanwhile, although there is no foreign exchange liquidity problem in the Turkish banking system, transaction limits of the *Foreign Exchange and Banknotes Markets* will be doubled starting from 24 October 2008 for each institution and will reach USD 10.8 billion in total, in order to ensure that the system meets its possible foreign exchange liquidity needs smoothly in the upcoming months.